

EX-IM BANK LETTER OF CREDIT INSURANCE FOR BANKS

SUMMARY

The Ex-Im Bank Letter of Credit policy can reduce a bank's risks on confirmations and negotiations of irrevocable letters of credit issued by overseas financial institutions for the financing of U.S. exports.

This policy affords commercial and political coverage against the failure of an overseas financial institution (issuing bank), whether sovereign or private, to make payment or reimbursement to the insured bank on an irrevocable letter of credit. Coverage is also provided for the insured bank's refinancing of payments under a sight irrevocable letter of credit of the issuing bank.

WHAT IS COVERED

The policy applies to irrevocable letters of credit which conform with the Uniform Customs and Practice for Documentary Credits (UCP), 1993 revision, publication number 500 of the International Chamber of Commerce where the insured has a relationship with the foreign issuing bank. The policy is not applicable to revocable, back-to-back, red clause or conditional letters of credit.

Coverage applies to irrevocable letter of credit sales for goods produced in and shipped from the United States during the policy period, and for services performed by U.S. personnel either in the U.S. or in a host country. Receivables for products which are less than 50% U.S. content, excluding mark-up, and certain defense products are not eligible for cover.

Terms up to 180 days from the date of first presentation of documents may be extended for consumer goods, spare parts and raw materials. On a case-by-case basis, agricultural commodities, fertilizer and capital equipment may be insured on terms up to 360 days.

Principal amounts are covered up to the maximum insured percentages stated below or as specified in the policy declarations. Documented interest is covered up to 180 days after the date of the issuing bank's default (or fewer days when the claim is settled earlier). On letters of credit that are payable in U.S. dollars, the insured interest rate is generally prime rate minus 0.5% or the rate stated in the credit agreement, whichever is less. Ex-Im Bank uses the prime rate published in the Wall Street Journal, under the table "Money Rates."

The policy specifically excludes coverage for those transactions in which there is an unresolved documentary dispute between the insured and the issuing bank. Additionally, coverage is specifically excluded in situations in which the issuing bank refuses documents at the time of presentation and seeks a refund from the insured bank to whom a reimbursement has already been made.

ELIGIBLE INSURED BANKS

The policy may be issued to any bank doing business in the United States in accordance with applicable federal or state banking laws and regulations. An application, form EIB92-34, is required. The insured bank must act under the terms of the UCP as either the paying, accepting, or negotiating bank for the insured transaction.

PERCENTAGES OF COVER

The Bank Letter of Credit policy provides coverage against losses caused by events such as war, revolution, expropriation or confiscation by a governmental authority, cancellation of import or export licenses, and foreign exchange inconvertibility, and commercial losses caused by events such as insolvency of the foreign issuing bank, and failure to reimburse or to pay for other reasons.

Equalized coverage for commercial and political risks (comprehensive cover), or political only coverage are available at the following maximum percentages:

	<u>Comprehensive or Political-Only</u>
Sovereign Financial Institution	100%
Non-Sovereign Financial Institution	95%
Approved Agricultural Commodities	98%

RECOURSE

The insured may arrange recourse or "pass back" to a third party of all or any part of any uninsured amount.

HOW THE POLICY WORKS

The policy affords coverage for eligible issuing banks in 2 ways:

1) As determined by Ex-Im Bank based on the insured's submission of an issuing bank credit limit (IBCL) application, form EIB92-36, for the overseas financial institution and issuance by Ex-Im Bank of a written credit approval in form of a policy endorsement. The application requires disclosure of all relevant financial information on the issuing bank.

High credits may be extended up to the amount specified in the IBCL, which generally remains valid for a maximum period of 12 months. Once issued, the IBCL becomes a revolving credit approval limited only to the approved issuing bank with specified terms and tenor.

Ex-Im Bank has published its Short Term Credit Standards (EIB99-09) - Buyers, for Letter of Credit Transactions which may be consulted to determine the likelihood of approval of the confirming bank and the issuing bank.

2) By use of a Discretionary Credit Limit (DCL) given to the insured bank. The DCL requires the insured bank to have specified documentation of the issuing bank's creditworthiness, such as a short term debt rating or minimum net worth and profitability. Alternately, the insured bank may evidence satisfactory experience with the issuing bank.

Under the DCL, political risks coverage is provided against those of the country of the issuing bank's head office. If the insured bank wants coverage against the political risks of the country of the issuing bank, when different from the country of the issuing bank's head office, it must specifically apply for that cover (see IBCL above).

The insured bank is required to obtain an Exporter Certificate, form EIB94-07, certifying, among other things, that a letter of credit has been established in support of the described transaction and that the goods are manufactured or produced in and shipped from the United States. If the beneficiary of the letter of credit is an entity other than the exporter, a Beneficiary Certificate, form EIB92-37, is required.

PRE-PRESENTATION AGREEMENT

Prior to the presentation of documents on the insured bank under a letter of credit and at the time an insured bank commits to finance or pay, the insured may obtain a pre-presentation agreement under which Ex-Im Bank agrees not to withdraw coverage, add, delete, or amend any policy condition, credit limit or other limitation, including the country limitation schedule for a period of up to 90 days. The policy also sets forth a method by which this optional agreement may be used and extended for additional time under the Discretionary Credit Limit.

WHAT THE INSURED AGREES TO DO

The insured agrees:

- to submit reports to Ex-Im Bank, form EIB92-30, listing appropriate bank commitments and insured transactions, with payment of the corresponding premiums (which will vary from month to month with the level of activity);
- to report all amounts past due (insured and uninsured), form EIB92-27, from the foreign issuing bank;
- not to enter into an insured transaction with an issuing bank which is 30 days or more past due;
- to obtain Ex-Im bank's prior written approval for rescheduling or accelerating any insured transaction;
- to make written demands for payment on the foreign issuing bank within 30 days after default;
- to exercise reasonable care to minimize or prevent loss;
- to maintain evidence of the documents or experience used to exercise a Discretionary Credit Limit.

CLAIMS AND PAYMENTS

Claims may be filed no earlier than 60 days and no later than 120 days after the date of default. Prior to claim submission, the insured is required, within 30 days of default, to make written demand for payment on the issuing bank. The insured is required to file a release and assignment form with Ex-Im Bank, transferring any rights to the defaulted receivables and any security when the claim is paid, so that recovery may be attempted.

Ex-Im Bank will pay claims within 60 days of receiving a satisfactorily completed and documented proof of loss, form EIB92-39.

RISK-BASED PREMIUM RATES

A risk-based pricing system is used that reflects the major risk elements of each transaction. Applicants may obtain a non-binding rate indication by referring to the Short Term Fee Schedule at Ex-Im Bank's Internet Homepage or by contacting the Business Development Division with specifics of the contemplated transaction. Changing conditions may result in a different rate being finally offered than is initially indicated. However, premiums specified by Ex-Im Bank in writing are firm.

A minimum annual premium of \$2,000 is paid for each one-year policy period. This premium is collected upon issuance of the policy.

MORE INFORMATION

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Midwest - Chicago	(312) 353-8081	Fax (312) 353-8098
Southwest - Houston	(281) 721-0465	Fax (281) 679-0156
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This is not a solicitation by the Export-Import Bank of the United States or its employees. It is a descriptive summary only. The complete terms and conditions of the policy are set forth in the policy, applications and endorsements.